



Derby City Council

**COUNCIL CABINET**  
**13 June 2018**

Report of the Interim Strategic Director of  
Corporate Resources

# ITEM 14

## Compliance with Contract and Financial Procedure Rules

### SUMMARY

- 1.1 To seek approval by Council Cabinet under Contract and Financial Procedure rules for the following:
- Transfer to reserves– One percent council tax increase for 2018/19;
  - Use of Budget Risk Reserve – Funding of Risk management resource in Policy and Performance Team;
  - Use of Budget Risk Reserve – One-off purchase for improvements in Council House security;
  - Transfer of former Beaufort Business Centre from the General Fund to the Housing Revenue Account – to start the process to build new council houses on the site;
  - Use of Budget Risk Reserve – Reinstatement Cost Assessments Programme for Non-Residential Properties in order to comply with insurance cover;
  - Procurement of a Pre-Paid Card Scheme – The provision of a Pre-Paid Card Scheme to Reduce Cash Payments for a number of services including Appointeeships; Direct Payments; and Care Leavers.

### RECOMMENDATION

- 2.1 To approve the transfer to reserves of £877,000 in 2018/19 to a newly created reserve as a result of the 1 percent increase in Council Tax in 2018/19 to fund prudential borrowing when needed.
- 2.2 To approve the use of £68,000 of the budget risk reserve to provide funding for additional resource for the risk management team to address urgent actions identified in the Corporate Improvement Plan and External Auditor's Section 24 Report.
- 2.3 To approve the use of £18,500 of the budget risk reserve to provide funding for the one off purchase to improve Council House security.
- 2.4 To approve the transfer of the former Beaufort Business Centre from the General Fund to the Housing Revenue Account by appropriation to the value of £150,000 for the purpose of building new council houses.

- 2.5 To approve the use of £100,000 of the budget risk reserve to provide funding for the new Reinstatement Cost Assessments Programme for Non-Residential Properties in order to comply with insurance cover.
- 2.6 To approve entering into a procurement process for the provision of a Pre-Paid Card Scheme with an initial contract value of £50,000 per annum. The contract value will be offset against savings achieved in the first financial year. Total value for the initial term 1 October 2018 to 12 February 2021 will be £122,000 including training and set up costs charged by the successful provider.

## REASONS FOR RECOMMENDATIONS

- 3.1 To comply with the Council's Contract and Financial Procedure rules.

## SUPPORTING INFORMATION

### **4.0 Transfer to reserves – Prudential Borrowing**

The 2018/19 agreed revenue budget included £877,000 to fund Prudential Borrowing as a result of the 1 percent increase in Council Tax. For budget monitoring purposes it is requested that this amount is transferred to a newly created reserve for future consideration.

- 4.1 It is recommended to approve the transfer £877,000 to a newly created reserve for Prudential Borrowing.

### **4.2 Use of Reserves – Purchase of Security Equipment**

Currently the Council has limited ability to screen its mail and parcels. The process relies on the vigilance of staff and their ability to detect the anomalies before any mail or parcels are opened.

- 4.3 A new piece of security equipment is required; this will be located in a separate screening room within the Council House Document Management Area. This will reduce the risk of disruption to Council services.

- 4.4 It is recommended to approve the use of £18,500 of the budget risk reserve to provide funding for the one off purchase to improve Council House security.

### **4.5 Use of Reserves – Additional Risk Management Resources**

The management of risks and customer insight within the Council is currently lacking dedicated resource. This has been identified as a concern by both External Audit and the Local Government Association in their recent corporate peer challenge and features as one of the themes of the Council Improvement Plan. It is essential that risk management is strategically owned and driven to ensure the appropriate identification, monitoring and mitigation of risks for the Council.

- 4.6 £68,000 is requested in 2018/19 to provide additional resource for risk management to address urgent actions identified in the Corporate Improvement Plan and External Auditor report. This will include 1.5 Full Time Equivalents in the Performance and

Intelligence team at a one off cost of £48,000 for staffing and £20,000 external resource required to reconfigure DORIS the Council's corporate risk management system and provide challenge and support in the transition to the internal risk team. A permanent staffing structure will be considered as part of our Medium Term Financial Strategy planning for 2019/120 – 2022/23.

4.7 It is recommended to approve the use of £68,000 from the budget risk reserve to provide funding for the additional risk management resources.

#### **4.8 Transfer from General Fund to the Housing Revenue Account - Beaufort Business Centre**

An outcome of the Council's property review and rationalisation programme is the identification of surplus assets. Whilst some of these assets are sold on the open market others are more suited to the Council retaining ownership and developing them out for the provision of Council Housing which is subsequently incorporated into the Council's housing stock. To enable any surplus assets to be developed for Council housing, these assets need to be transferred from the Council's General Fund to the Councils' Housing Revenue Account.

4.9 A property that has been identified for transfer is the former Beaufort Business Centre. Initial feasibilities demonstrate that in the medium to longer term the site could accommodate some 30 dwellings. The development potential of the site cannot be maximised until the necessary Our City Our River works have been completed. Presently, the property suffers from serious vandalism and anti-social behaviour, and the Council's priority will be to work with Derby Homes to seek the demolition of the building and to seek a "meanwhile use" until the site can be developed.

5.0 It is recommended that the former Beaufort Business Centre be appropriated from the General Fund to the Housing Revenue Account for the value of £150,000; this figure is based on the market value of the site. Appropriation is by adjustment to the capital financing requirements with no cash transferring.

#### **5.1 Use of Reserves – Reinstatement Cost Assessments Programme for Non-Residential Properties**

The Council's insurers require all Reinstatement Cost Assessments for non-residential stock to be undertaken by Chartered Quantity Surveyors in accordance with the Royal Institution of Chartered Surveyors guidance. The Royal Institution of Chartered Surveyors guidance recommends the re-assessment of Reinstatement Cost Assessment on a regular basis, with an annual adjustment to reflect inflationary effects, and a major review and reassessment every three years.

5.2 The insurance team require £100,000 for the provision of the new Reinstatement Cost Assessments for an external Chartered Quantity Surveyor to revisit all existing Assessments and apply to the declared values an inflationary adjustment recommended by the Council's insurer. This resource is not currently available in house for year one of the three year rolling programme, due to the current lack of capacity and skill sets within our Property Design and Maintenance team however should this resource become available the intention would be to utilise this. The requested amount reflects the estimated costs of appointing an external contractor and the Property Design and Maintenance costs associated with the internal project management of the

contract.

5.3 It is recommended to approve the use of £100,000 of the budget risk reserve to provide funding for the new Reinstatement Cost Assessments Programme for Non-Residential Properties.

5.4 **Procurement Process - The provision of a Pre-Paid Card Scheme to Reduce Cash Payments**

The advantages to the Council and their clients through operating a pre-paid card scheme are numerous and include – not exclusively:

- Much easier monitoring of spend – if there is a dedicated or redirected resource
- Contribution to the support and care planning through value for money conversations
- An automated audit trail and the generation of sophisticated management information; and
- Removal of the worry clients may have about submitting paperwork and simultaneously facilitate the tracking and management of their own spending
- Allowing those without or ineligible to hold a bank accounts to receive direct payments
- Facilitating standing orders or direct debits by virtue of virtual account built into the card (thereby allowing regular scheduled payments to providers)
- Monitoring and auditing how money is spent in accordance with the agreed support plan – through access to an electronic portal with built in ‘alerts’
- Obtaining a differentiated view of often confusing client contributions and concurrent health funding (which can also be loaded on to the same card)
- Removing the need for paperwork, statements, financial returns and often missing documents – as client spending information can be viewed in real time.

5.5 Funds can be loaded onto pre-paid cards by any organisation, but in the case of Direct Payments these still belong to Derby City Council. They are used like a debit card but can be effectively restricted to remove the option for cash withdrawals or the purchasing of ‘taboo’ activities, such as gambling. It is not possible, however, to restrict a pre-paid card user from purchasing certain items such as alcohol from a supermarket. There is no ‘credit’ facility so the balance cannot fall below £0 and the council have full access to transaction level detail (notwithstanding the client - or a nominated companion with a card – can monitor transactions and balances online).

5.6 Currently 110 local authorities in England operate some form of pre-paid card scheme to facilitate payments to customers. In the main, adult social care use this system to facilitate direct payments due to the enhanced financial controls that it brings and an ability to comprehensively monitor and reduce overpayment or the accumulation of funds.

5.7 Empirical evidence suggests that implementing such a scheme liberates a 5% - 10% direct payments budget saving in the first year, followed by year-on-year cost reductions resulting from close monitoring. Derby City Council’s Direct Payments budget is £17million per annum assuming a budget saving of only 1% this would achieve savings of £170,000.

**This report has been approved by the following officers:**

<p><b>Legal officer</b></p> <p><b>Financial officer</b></p> <p><b>Human Resources officer</b></p> <p><b>Estates/Property officer</b></p>	<p>Toni Nash, Head of Corporate Finance and Organisation and Governance. Alison Parkin, Head of Peoples Finance for item number 5.4 to 5.7</p>
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<b>Service Director(s)</b>  <b>Other(s)</b>	Don McLure Interim Strategic Director of Corporate Resources – Section 151 Officer
<b>For more information contact:</b> <b>Background papers:</b>  <b>List of appendices:</b>	Toni Nash 01332 643364 e-mail <a href="mailto:toni.nash@derby.gov.uk">toni.nash@derby.gov.uk</a>  Appendix 1 - Implications

<b>IMPLICATIONS</b>
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**Financial and Value for Money**

1.1 As detailed in the main body of the report and appendices.

**Legal**

2.1 None directly arising.

**Personnel**

3.1 None directly arising.

**IT**

4.1 None directly arising.

**Equalities Impact**

5.1 None directly arising.

**Health and Safety**

6.1 None directly arising.

**Environmental Sustainability**

7.1 None directly arising.

**Property and Asset Management**

8.1 None directly arising.

**Risk Management**

9.1 There are sufficient reserves and provision to sustain the recommendations in this report.

**Corporate objectives and priorities for change**

10.1 None directly arising.